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CAE INDUSTRIES LTD.

ANNUAL REPORT FOR YEAR ENDING MARCH 31, 1966

## BOARD OF DIRECTORS

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- \*R. Fraser Elliott, Q.C., Chairman of the Board of Directors  
Partner—Stikeman, Elliott, Tamaki & Mercier, Montreal, Que.
- \*James F. Tooley, President and Chief Executive Officer,  
and Chairman of the Executive Committee, Montreal, Que.  
T. N. Beaupré, Chairman of the Board  
British Columbia Forest Products Limited, Vancouver, B.C.  
Henry Benson, President—Benso Limited, Montreal, Que.
- \*Air Marshal Hugh Campbell, Company Director and Consultant, Ottawa, Ont.  
Peter D. Curry, Chairman—Greater Winnipeg Gas Company, Winnipeg, Man.  
Léon Simard, President, Engineering Products of Canada Ltd., Montreal, Que.  
H. Heward Stikeman, Q.C., Partner—Stikeman, Elliott, Tamaki, & Mercier, Montreal, Que.  
Hon. G. S. Thorvaldson, Q.C., Partner—Thorvaldson, Eggertson, Saunders & Mauro, Winnipeg, Man.  
F. G. Winspear, Company Director
- \*Member of the Executive Committee.

## OFFICERS

R. Fraser Elliott, Q.C., Chairman of the Board of Directors  
James F. Tooley, President and Chief Executive Officer  
F. R. Riddell, Executive Vice-President  
John W. Bell, Vice-President and Chief Technical Officer  
R. W. Cooke, Vice-President—Electronics  
John W. Hughes, Vice-President—Public Relations  
G. G. James, Vice-President—Finance  
D. I. Johnston, Vice-President—Legal, and Secretary  
B. J. Kaganov, Vice-President—Operations, Electronics  
D. M. Loucks, Vice-President—Industrial  
D. S. D. McDonald, Vice-President

### BANKERS

Canadian Imperial Bank of Commerce  
The Toronto-Dominion Bank  
The Royal Bank of Canada  
The Bank of Nova Scotia  
First National City Bank, New York, N.Y.

### AUDITORS

Riddell, Stead, Graham & Hutchison, Chartered Accountants, Montreal, Que.

### COUNSEL

Stikeman, Elliott, Tamaki & Mercier, Montreal, Que.  
Thorvaldson, Eggertson, Saunders & Mauro, Winnipeg, Man.

### TRANSFER AGENTS

Crown Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.

### REGISTRAR

Montreal Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.



## CAE INDUSTRIES LTD.

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**CAE INDUSTRIES LTD.** Corporate Headquarters  
19th Floor, Place Ville Marie, Montreal, Que.  
Montreal mail address : Box 6166, Montreal 3, Que.

**CAE ELECTRONICS DIVISION**  
Montreal 3, Que.

**CAE WESTERN DIVISION**  
Winnipeg, Man.

**MUNICIPAL SIGNAL DIVISION**  
St. Laurent, Que.

## SUBSIDIARY COMPANIES

**NORTHWEST INDUSTRIES LIMITED**  
Edmonton, Alta.

**B.C. AIR LINES LIMITED**  
Vancouver, B.C.

**CANADIAN BRONZE COMPANY LIMITED**  
Montreal, Que., Winnipeg, Man.

**ONEIDA ELECTRONICS INC.**  
Utica, N.Y.

**CAE ELECTRONICS GmbH**  
Stolberg, Aachen, West Germany

**CAE MACHINERY LTD.**  
(Formerly CAE SUMNER LTD.)  
Vancouver, B.C.

**UNION SCREEN PLATE CO. LTD.**  
Lennoxville, Que., Montreal, Que., Brampton, Ont.

**CAE LUBRICATORS LTD.**  
Montreal, Que.

**L. E. BAXTER LIMITED**  
Montreal, Que.

## FINANCIAL HIGHLIGHTS

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	1966	1965
Gross revenue	\$46,573,479	\$39,701,481
Profit before provision for income taxes	\$ 3,101,506	\$ 3,325,204
Profit after taxes	\$ 1,875,986	\$ 1,759,593
Common shares outstanding	1,608,306	1,600,505
Earnings per share	\$ 1.12	\$ 1.08
Working capital	\$ 2,598,887	\$ 2,626,303
Working capital ratio	1.2	1.3
Current notes payable	\$ 3,138,000	\$ 2,267,334
Long-term indebtedness	\$ 4,086,818	\$ 3,904,737
Net worth	\$13,801,175	\$12,751,763
Book value per share	\$ 8.58	\$ 7.97
Cash dividend paid per common share	\$ 0.325	\$ 0.20

## STATEMENT OF CHANGES IN WORKING CAPITAL

	1966	1965
<b>WORKING CAPITAL AT BEGINNING OF YEAR</b>	\$ 2,626,303	\$ 3,096,158
<b>INCREASES</b>		
Net income for the year	1,875,986	1,759,593
Depreciation and amortization written off—net	651,869	479,502
Proceeds from sale of capital stock	43,773	26,000
Increase in long-term debt	180,537	677,331
	\$ 5,378,468	\$ 6,038,584
<b>DECREASES</b>		
Additions to fixed assets—net	\$ 771,859	\$ 1,572,903
Dividends paid and payable	636,196	383,673
Redemption of preferred shares of a subsidiary company	503,060	11,000
Net decrease in working capital resulting from purchase of subsidiaries and affiliated companies during year	868,466	1,444,705
	\$ 2,779,581	\$ 3,412,281
<b>WORKING CAPITAL AT END OF YEAR</b>	\$ 2,598,887	\$ 2,626,303

NOTE: The per share figures given above are after taking into account the three-for-two stock split which occurred during the fiscal year.



## REPORT TO OUR SHAREOWNERS

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During the past year your company achieved new highs in terms of sales and earnings. At the same time, significant progress was made in improving technical capabilities, in modernizing physical plant and equipment, and in strengthening the management of the company.

Earnings for the fiscal year ending March 31, 1966 were \$1,875,986 or \$1.12 per share on 1,608,306 common shares outstanding after payment of \$74,210 in dividends to holders of preferred shares of subsidiary companies. This compares with \$1,759,593 or \$1.08 per share on 1,600,505 shares outstanding the previous year, converted for comparative purposes to the three-for-two subdivided basis.

Gross revenue at \$46,573,479 compares with \$39,701,481 last year. The increase in gross revenue arises from the inclusion of sales figures of companies acquired during the year and towards the end of the previous fiscal year.

Profits before taxes this year were 6.7 per cent of sales against 8.4 per cent last year. This decrease was caused in part by the absorption of development costs on simulator work in the Electronics Division of the company. Also contributing were reductions in profit for both B.C. Air Lines and Canadian Bronze Company Limited compared to the previous year.

The charge to profits for income taxes in 1966 is \$1,225,520 or 39.5 per cent of profit before taxes compared with a charge of \$1,565,611 or 47.1 per cent of profit before taxes in 1965. The reduced taxes this year are accounted for by (a) an increase in the tax benefits resulting from higher research and development expenditures and (b) the tax saving caused by an increase in capital cost allowances claimed for tax purposes over the amount charged to profits for depreciation.

Working capital at the year end was \$2,598,887 against \$2,626,303 last year and bank indebtedness at \$5,857,986 compares with \$4,601,200 at March 31, 1965. The net additions to fixed assets during the year amounted to \$771,859 compared with \$1,572,903 for the previous period. It is estimated that capital expenditures for the year just commenced will be approximately \$800,000.

Dividend payments to common shareholders amounted to \$521,388 during the fiscal year ending 31st March 1966, a rate of 32½ cents per share including a year-end extra. This compares with \$318,826 paid last year at the rate of 20 cents

per share on the subdivided basis. Dividends are currently being paid at the rate of 32½ cents per share on an annual basis including the extra dividend declared by the Board of Directors at its meeting in April 1966.

In April of 1965 the outstanding shares of the Union Screen Plate Co. Ltd. were acquired. Union Screen's main plant is located in Lennoxville, Que., with branches in Montreal and Brampton, Ont. The company is primarily engaged in the production of slotted, conically drilled and perforated screen plates used in paper making machines. It has a nonferrous foundry and up to date plating facilities. Total employment is about 200 persons. The excess of the cost of the shares of the Union Screen Plate Company over their book value together with some minor adjustments in respect of other acquisitions are shown on the balance sheet in the amount of \$835,286.

Seventy-five per cent of the common shares of L. E. Baxter Limited were acquired in January, 1966. This is a relatively small firm whose business is nondestructive testing and material evaluation. The company also acts as Canadian sales agent for several foreign based firms manufacturing this type of equipment.

In September, 1965, the fifty per cent interest in Velan Engineering Ltd. was resold to A. K. Velan at approximately the same price as it had been purchased from him in the previous fiscal year.

At a special general meeting held in conjunction with the annual general meeting of shareholders in June last year approval was given to a three-for-two subdivision of the company's common shares. The number of shareowners increased during the year to 3,500 from about 2,000 at the same time last year, and from 400 in 1960. Approximately 97 per cent of CAE shares are owned in Canada.

In December, 1965, Frederick R. Riddell, B.A.Sc., Ph.D., joined CAE Industries Ltd. as Executive Vice-President. Dr. Riddell is a native of Western Canada who returns to this country after having spent 12 years with major corporations in the United States.

A. S. Mitchell was appointed President and Chief Executive Officer, Union Screen Plate Co. Ltd., on March 1st, 1966. Mr. Mitchell was previously Executive Vice-President and has been employed by Union Screen Plate since 1941. E. W.

Gilbey, formerly President, continues his long association with Union Screen Plate as Chairman of its Board of Directors.

Peter B. Macfarlane joined CAE Machinery Ltd. as its President and General Manager in April 1966. Mr. Macfarlane was previously the executive head of a division of a large company in the pulp and paper industry. H. B. Norris, previously President, became Chairman of the Board at the same time.

The members of the Board of Directors take this opportunity to acknowledge the contribution of the 2800 employees of CAE and its subsidiaries to the results of the year.

Chairman of the Board

President



## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended March 31, 1966

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	1966	1965
Gross revenue	\$46,573,479	\$39,701,481
Manufacturing selling and administration costs	43,471,973	36,376,277
Profit from operations before taxation and after charging the undermentioned items	3,101,506	3,325,204
Provision for income taxes	1,225,520	1,565,611
Net earnings for the year	\$ 1,875,986	\$ 1,759,593
Items charged before determining profit from operations—		
Depreciation of fixed assets	\$ 874,512	\$ 680,216
Amortization of licences and patents	141,932	35,160
Directors' fees and remuneration of officers who are directors	119,768	121,273
Interest on long term debt	226,085	143,361

## CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

for the year ended March 31, 1966

	1966	1965
Balance—beginning of year	\$ 5,216,303	\$ 3,841,383
Add: Earnings for the year	1,875,986	1,759,593
	7,092,289	5,600,976
Deduct: Premium on redemption of preferred shares 1965		
Preferred dividends of subsidiaries	\$ 74,210	
Common stock dividend of CAE Industries Ltd.	561,986	384,673
	636,196	
Balance—end of year	\$ 6,456,093	\$ 5,216,303



**CAE INDUSTRIES LTD.**  
(Incorporated under the laws of Canada)  
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 1966**

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	1966	1965
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 486,708	\$ 602,536
Marketable securities (Quoted market value 1966, \$315,553 ; 1965, \$338,420)	156,555	176,703
Accounts receivable—		
Trade	7,066,160	5,282,983
Other	137,759	839,216
Inventories—at lower of cost or net realizable value less progress billings	4,846,066	5,260,711
Prepaid expenses	239,740	177,224
<b>Total current assets</b>	<b>12,932,988</b>	<b>12,339,373</b>
<b>INVESTMENT IN AFFILIATED COMPANY</b>	—	750,000
<b>FIXED ASSETS—Note 2</b>		
Land	2,341,111	2,319,100
Buildings	7,627,729	6,979,984
Plant and equipment	10,779,068	9,303,397
Aircraft	1,725,866	1,664,891
	<b>22,473,774</b>	<b>20,267,372</b>
<b>Less: Accumulated depreciation</b>	<b>8,107,430</b>	<b>6,754,298</b>
	<b>14,366,344</b>	<b>13,513,074</b>
<b>OTHER ASSETS—at cost less amortization</b>		
Patents, Licences and Patterns	515,874	657,806
<b>EXCESS OF COST OVER BOOK VALUE ON PURCHASE OF SUBSIDIARIES</b>	<b>835,286</b>	<b>23,322</b>
 APPROVED ON BEHALF OF THE BOARD R. FRASER ELLIOTT, Director JAMES F. TOOLEY, Director		
	<b>\$28,650,492</b>	<b>\$27,283,575</b>



	1966	1965
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank	\$ 38,694	\$ 548,798
Notes payable	3,138,000	2,267,334
Dividends payable	129,998	89,400
Accounts payable and accrued liabilities	5,423,911	5,019,576
Provision for income and profits taxes	986,289	1,235,280
Other taxes payable	249,746	186,763
Current instalments of long-term debt	367,463	365,919
<b>Total current liabilities</b>	<b>10,334,101</b>	<b>9,713,070</b>
<b>LONG-TERM DEBT</b>		
Loans from Industrial Development Bank—Note 1	563,750	888,750
Notes payable—Chartered Banks—6% due April 1967	3,168,000	2,640,000
Toronto-Dominion Bank Pension Society—7¼% mortgage	305,068	325,987
Other	50,000	50,000
	<b>4,086,818</b>	<b>3,904,737</b>
<b>Less:</b> Instalments included under current liabilities	<b>367,463</b>	<b>365,919</b>
	<b>3,719,355</b>	<b>3,538,818</b>
Preferred shares of consolidated subsidiaries	750,000	1,253,060
Minority interests in consolidated subsidiaries	45,861	26,864
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
Authorized—		
2,250,000 common shares without nominal or par value		
Issued and fully paid—Note 6		
1,608,306 common shares (1965—1,600,505 shares)	1,572,735	1,528,962
<b>SURPLUS</b>		
Earnings retained in the business	6,456,093	5,216,303
Excess of appraised value of fixed assets over depreciated cost	5,772,347	6,006,498
	<b>13,801,175</b>	<b>12,751,763</b>
	<b>\$28,650,492</b>	<b>\$27,283,575</b>



## NOTES TO FINANCIAL STATEMENTS

1. Loans from Industrial Development Bank consist of (a) \$420,000 at 6½% repayable by monthly instalments of \$17,500 to March 1968 and in respect of which \$1,400,000 6½% First Mortgage Bonds of CAE Industries Ltd. have been issued as collateral security (b) \$80,000 at 7% repayable in the fiscal year 1967 and in respect of which \$600,000 7% Mortgage Bonds of B. C. Airlines Ltd. have been issued as collateral security (c) \$43,750 at 6% repayable \$8,750 quarterly secured on the fixed assets, other than buildings, of CAE Sumner Ltd. and (d) \$20,000 at 6½% repayable in the fiscal year 1967 and in respect of which \$200,000 6½% First Mortgage Bonds of Union Screen Plate Co. Ltd. have been issued as collateral security.

2. As at March 31, 1965 the fixed assets of CAE Industries Ltd., and certain of its subsidiaries were appraised by Warnock Hersey Company Ltd. Minor adjustments in the appraisal figures have been made during the current year and effect has been given to the appraisal, as adjusted, in the consolidated balance sheet as at March 31, 1966 by increasing the net value of assets by \$5,772,347. The increase is reflected in the balance sheet as "Excess of Appraisal Value of Fixed Assets over Depreciated Cost".

The fixed assets of the other subsidiaries are carried at cost.

No adjustment in the appraisal has been made in respect of additions and disposals during the year and depreciation for the year ended March 31, 1966 has been charged to operations on the basis of cost as in prior years.

3. A substantial part of the company's sales is made to the Canadian Government. These sales are subject to adjustments on Government audit. The Management is of the opinion that full provision has been made for any adjustments that may arise in final determination of contract prices.

4. As a result of the company's intention to claim for tax purposes capital cost allowances in excess of the depreciation recorded in the accounts, the provision for income taxes is approximately \$91,000 less than would otherwise have been charged against income. The accumulated amount by which income taxes have been so reduced in this and prior years is approximately \$377,000. This amount will be applicable to future periods in the event amounts that can be claimed for tax purposes are less than depreciation recorded in the accounts.

5. 29,325 common shares of CAE Industries Ltd. stock, purchased on the open market by subsidiaries, are held against options granted to officers and employees of the subsidiaries. In addition, 102,175 unissued common shares are reserved against options granted to officers and employees of CAE Industries Ltd. and its subsidiaries.

A subsidiary has granted options, exercisable over a period of three years, to purchase up to 20% of its common shares for an aggregate consideration of \$100,000. As at March 31, 1966 options have been exercised to the extent of 5%. The subsidiary is committed to repurchase all the optioned shares for a minimum consideration of \$100,000.

6. During the year the issued shares of the company were increased by 533,502 as a result of the three-for-two split authorized by the shareholders and by the issue of 7,801 shares for \$43,773 cash.

## AUDITOR'S REPORT To The Shareholders CAE Industries Ltd.

We have examined the accompanying consolidated financial statements of CAE Industries Ltd. and its subsidiaries for the year ended March 31, 1966 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings and earnings retained in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that it was not practicable to confirm Canadian Government receivables as to which we have satisfied ourselves by means of other auditing procedures. The accounts of eight subsidiaries included in the consolidated financial statements were examined and reported on by other public accountants.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at March 31, 1966 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 27, 1966 Riddell, Stead, Graham & Hutchison, Auditors.



## FIVE YEARS IN REVIEW

Years Ended March 31

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	1966	1965	1964	1963	1962
<b>EARNINGS STATISTICS</b>					
Gross Revenue	\$46,573,479	39,701,481	36,854,204	22,459,322	11,963,311
Earnings before Income Taxes	\$ 3,101,506	3,325,204	3,156,582	1,600,971	852,780
Net Earnings after Taxes	\$ 1,875,986	1,759,593	1,499,082	972,857	540,780
Percentage of Sales	4.0%	4.4%	4.1%	4.3%	4.5%
Depreciation	\$ 874,512	680,216	598,308	326,221	191,782
Interest on Long-Term Debt	\$ 226,085	143,361	140,259	107,875	85,301
Net Earnings per share of Common Stock	\$ 1.12	1.08	0.91	0.62	0.35

### FINANCIAL POSITION STATISTICS

Working Capital	\$ 2,598,887	2,626,303	3,096,158	3,027,994	2,258,886
Ratio	1.2	1.3	1.6	1.4	1.5
Accounts Receivable	\$ 7,203,919	6,122,199	4,203,735	4,794,842	3,456,411
Inventories	\$ 4,846,066	5,260,711	3,468,124	4,693,351	3,257,965
Fixed Assets :					
At Appraised Value	\$22,473,774	20,267,372	—	—	—
At Cost	\$ —	—	12,844,886	12,470,126	3,157,071
Current Notes Payable	\$ 3,138,000	2,267,334	227,270	2,679,646	1,115,000
Long-Term Debt	\$ 4,086,818	3,904,737	3,202,229	4,421,305	1,523,361
Common Shareowners' Equity	\$13,801,175	12,751,763	5,496,670	4,288,694	2,956,001
Per Share	\$ 8.58	7.97	3.45	2.74	1.95

### OTHER STATISTICS

Number of Employees	2800	2700	2160	2600	2175
Number of Shareowners	3570	1953	1439	990	635
Cash Dividend Paid per Common Share	\$ 0.325	0.20	0.133	0.033	—

**NOTE:** The per share figures given above are after taking into account the three-for-two stock split which occurred during the 1965-66 fiscal year and the three-for-one split in the year ended March 31, 1963.

## OPERATIONS OF SUBSIDIARIES AND DIVISIONS

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### ELECTRONICS DIVISION

Simulator production activity was maintained at a high level throughout the past year with additional commercial and military orders being received from international airlines and the Royal Canadian Air Force. The Electronics Division is currently producing flight simulators for several versions of the Douglas DC-8 and DC-9 commercial transport airplanes, for the Lockheed C-130 Hercules heavy military transport, and for the Canadair CT-114 jet trainer. In addition, an order has been received from the United States Air Force for the modification and updating of two existing F-104 simulators manufactured by the company. These simulators will be used by the air forces of two NATO countries in the Middle East and the total program will include installation in the field and maintenance for two years.

Early in 1966, the Electronics Division received a quantity order for the latest model in the CAE magnetic compensator series for the Royal Air Force anti-submarine aircraft. This is the first defence order received from the United Kingdom. The Electronics Division has achieved a position of world leadership in the development and manufacture of this type of equipment. RCAF and Royal Canadian Navy submarine hunting aircraft are equipped with earlier versions of CAE compensators and the United States Navy has two prototype units presently undergoing evaluation and environmental testing.

Orders have recently been received for TELEPATH supervisory control and telemetry systems from two hydro electric companies. The systems will permit remote control of high voltage switching and generating stations from central headquarters. Sales of TELEPATH solid state selectors and code translators continue to increase in the industrial control and communications fields.

Repair and overhaul, field service and calibration continue to contribute to the workload of the Montreal and Winnipeg plants, and additional calibration work is carried out from coast to coast in Canada by the CAE fleet of mobile calibration laboratories.

Concurrently with the company's diversification program, a research and development department has been built up at the Electronics Division in Montreal. The expenditures of this department amounted to \$1,939,543 for the fiscal year



Early in January, 1966, the Electronics Division delivered its first commercial jet simulator, a DC-8 for Canadian Pacific Air Lines. The flight deck shown above gives the flight crew its training under realistic flight conditions while remaining safely on the ground. As may be seen in the picture, the simulator provides exact duplicates of all instruments and controls found in the airplane itself. In addition to its normal training capability the simulator also enables the pilot to become familiar with a great number of emergency situations.

An assembly operation at CAE Lubricators Ltd. in which the rubber pad of a JOURNAPAK lubricator is inserted into its tufted cotton envelope is shown. The lubricators fit into railway car journal or axle housings and carry oil through a wick-like action to lubricate the bearings. JOURNAPAK lubricators, used extensively by Canadian railways, are approved by the Association of American Railroads and are presently on test trial by railways in several foreign countries.







With headquarters in Stolberg near Aachen, West Germany, specialists employed by CAE Electronics GmbH are responsible for the operational maintenance and engineering support of F-104 Starfighter simulators at NATO air bases on the continent. The training facilities of the air bases involved are inspected from time to time by senior officials of the air forces concerned. His Royal Highness Prince Bernhard of the Netherlands, in his capacity as Inspector General of the Royal Netherlands Air Force, was one such visitor to the air base at Volkel recently. The photo shows HRH Prince Bernhard "flying" an F-104 simulator, one of 32 produced by CAE for NATO countries, while Chief Instructor Warrant Officer W. J. Sledens, RCAF, looks on.

ending March 31st, 1966, compared with approximately \$1,000,000 for the previous fiscal year. Of this total, \$1,232,384 was contributed by the company and \$707,159 was shared by various departments of the government.

The TELEPATH and magnetic compensation equipment mentioned earlier in this section, and the company's ability to employ digital techniques in the science of simulation, originated in research and development programs at the Electronics Division.

By legislation introduced in 1962, the Income Tax Act permitted those making expenditures on scientific research to deduct not only the whole of these expenditures from income in the year in which they are incurred but also an additional 50 per cent of the increase over those expenditures made in the 1961 base year. The Government of Canada has now changed the research tax incentive which measure, among other things, eliminates the 1961 expenditure level as a base and substitutes the average expenditures over the previous three years as a new base. This change effectively eliminates the research tax incentive for firms which have responded to the 1962 legislation and have invested substantial sums in research and development during the past three years.

The traffic controller shown below is a new product of the Municipal Signal Division which will be marketed under the trade name SYMTROL. The function of the controller is to regulate the flow of traffic through intersections by commanding traffic signals to change. The SYMTROL controller employs solid state components and offers greater reliability and timing accuracy than the conventional electro-mechanical models.



Sales of traffic control and street lighting equipment by the Municipal Signal Division are developing more slowly than expected. This is largely due to sales resistance to the SYMBOLITE horizontal signals on the part of some provincial and municipal authorities. This resistance stems from the recommendation of conventional vertical lights for the purpose of standardization by the Technical and Research Committee of the Council on Uniform Traffic Control Devices. The Committee is currently considering SYMBOLITE and its recommendation regarding the product will be made in due course.

The horizontal lights are in use in five provinces and they have been adjudged outstanding in their class by the Design Branch of the federal Department of Industry. They have also received a Design Award from the same agency which entitles the company to affix a label to each unit with the legend "Canada Design 67 Award of Excellence".

## CANADIAN BRONZE COMPANY LIMITED

New business has been developed by Canadian Bronze Company in both the Central and Eastern Divisions and the company presently employs a greater number of persons than at any other time in its history. However, profit levels have fallen below those forecast due to some non-recurring expenses connected with the new plant in Winnipeg and the introduction of the casting of more sophisticated metals. Improved results are expected during the fiscal year ending March 31st, 1967.

Three new types of equipment have been installed at the Eastern Division in Montreal as part of the company's modernization program. A new X-ray spectrometer will analyze metal samples in much less time than was previously required and thus improve product quality. The addition of a permanent mould facility gives the Eastern Division a new capability and its new high frequency melting furnaces are the most modern available.

Union Screen Plate personnel assisted Canadian Bronze in setting up a facility in Winnipeg for rebuilding diesel locomotive cylinder liners. With a capability to do this work in both Winnipeg and Lennoxville, Que., CAE is now able to provide the service to the railways in eastern, central and western Canada.

## NORTHWEST INDUSTRIES LIMITED

The Plastics Division has shown encouraging progress and now accounts for about 30 per cent of Northwest Industries' sales and 40 per cent of its profit. The company has recently been awarded a contract to construct and install two and one half miles of large diameter fibreglass reinforced plastic pipe as part of an effluent disposal system for an east coast pulp mill. Plastic tanks of varying capacities up to 55,000 gallons have been constructed for major industrial and commercial customers from coast to coast.

In the oil field equipment business, the sale of Huber Paraffin Scrapers continues to be steady and profitable.

The repair and overhaul of aircraft at the company's plant in Edmonton has decreased, particularly the military content, but the present level of military and commercial business is expected to remain relatively stable.



With foundries in Montreal and Winnipeg, Canadian Bronze Company has the capability to turn out more than 3,000,000 pounds of non-ferrous castings per month. Flat bearings for railway freight cars and diesel motor support bearings are the company's principal products although requirements for custom castings are increasing. An example of the latter is the 7,600 pound bronze water box shown above which is one of six made in Montreal. The water box will be used to condense steam from the main boilers of an ice breaker. The box is pictured, filled with water, as its cover is being installed for hydrostatic testing. The Winnipeg plant specializes in cast railway and autobus products, and in electroplating.

The Plastics Division of Northwest Industries in Edmonton has enjoyed a particularly busy year. Fibreglass reinforced plastic tanks and pipes for the pulp and paper, chemical and petroleum industries have accounted for the bulk of production. In most of their applications the plastic products are preferred because of their strength, relative lightness, and ability to withstand corrosives. The ten 2,000 gallon tanks shown below were shipped to the east coast of Canada where they will be used at remote sites for fuel and oil storage. Many Northwest plastic products are manufactured in the field.







The 12 passenger Grumman Mallard flying boat shown above is one of three operated by B.C. Air Lines from its Vancouver base to provide scheduled service to points on Vancouver Island and the mainland coast. In addition, the airline operates a fleet of 31 other airplanes which range from the nine passenger Goose to four seat Cessnas. Every B.C. Air Lines aircraft is equipped to land on water and many of them are amphibious. The airline serves approximately 600 points on the British Columbia coast, Vancouver Island and the Queen Charlotte Islands.

### B. C. AIR LINES LIMITED

B. C. Air Lines serves more routes in British Columbia on a scheduled basis than any other carrier with the exception of Canadian Pacific Air Lines. In November, 1965 B. C. Air Lines submitted a proposal to the Minister of Transport recommending that the Province of British Columbia should be considered as a separate region for purposes of regional air transport and that B. C. Air Lines be designated the Regional Air Carrier to develop a fully integrated air transportation system within the Province. The acceptance of this proposal would have the result of substantially extending the airline's operations and increasing its revenues. The airline would also have to commit itself to capital expenditures for flight and crew training equipment and other costs necessarily involved in the expansion of operations.

The fiscal year with which this report is concerned was the busiest in the company's history with approximately 72,000 flights completed. Unfortunately two accidents occurred in which there were fatalities.

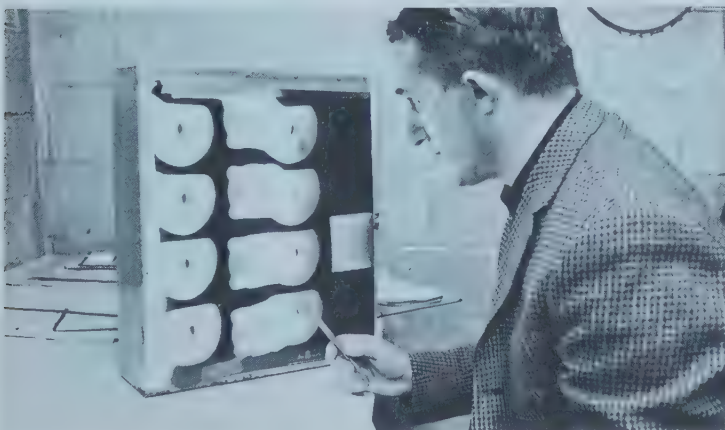
### ONEIDA ELECTRONICS INC.

With a phasing out of military repair and overhaul and manufacturing at this subsidiary because of the changed character of the United States Air Force requirements in the area, Oneida Electronics has moved to smaller but more modern and efficient quarters. The company has been re-organized to maintain a repair and overhaul and light manufacturing capability. It also provides a base in the United States for the distribution of TELEPATH and traffic control equipment and other commercial products manufactured in Canada.

### CAE ELECTRONICS GmbH

This subsidiary in Germany is the repair and overhaul headquarters and central spares depot for CAE built F-104 simulators owned by the air forces of a number of NATO countries in Europe. During the year a 6,400 sq. ft. extension to the existing plant was built to meet working space requirements. The company is now five years old and presently employs 165 persons.

An X-Ray negative of a casting is inspected by a senior radiographer at L. E. Baxter Limited, the newest member of the CAE industrial family. Radiography tests at L. E. Baxter also include those by exposure to radio-active materials, for which cement walls five feet thick are required to protect personnel. Other types of nondestructive testing are done with ultrasonics, magnetic particles, fluorescent penetrants and eddy currents. Typical of the products and structures for which the company provides testing services are castings, welds, aircraft parts, papermill equipment, pressure vessels and bridges.



## CAE MACHINERY LTD.

CAE Machinery Ltd. is the new name which has been chosen for the company formerly known as CAE Summer Limited. With the change in name it is our intention to identify the company products with the CAE name and symbol. Consequently the barkers, chippers and other machinery will be known as CAE barkers, CAE chippers and so forth.

CAE Machinery Ltd. has the highest backlog of orders for heavy equipment for the forest products industry in its history. While some unforeseen expenses were incurred after the shares of the company were purchased early in calendar 1965, this is now in the background and the outlook is for a more efficient operation.

## UNION SCREEN PLATE CO. LTD.

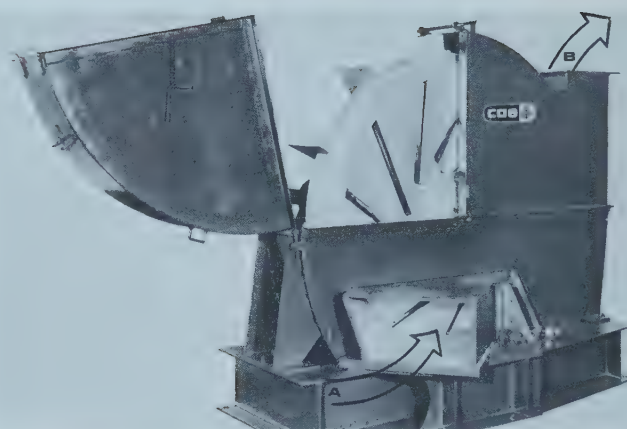
With headquarters in Lennoxville, Que., and plants in Montreal and Brampton, Ont., Union Screen Plate Co. specializes in metal fabricating, bronze and aluminum castings and electroplating. Its main products are screen plates for the pulp and paper industry. Approximately 30 per cent of its screen plate volume is exported from Canada.

The company also manufactures vacuum forming moulds by means of which, for example, door liners of domestic refrigerators are made. The plant is equipped to design and produce completed moulds from blue prints or samples of the parts required, and an associated facility in the same plant manufactures aluminum matchplates which are used as patterns in ferrous and nonferrous casting processes.

## L. E. BAXTER LIMITED

In January, 1966, CAE purchased a 75 per cent interest in L. E. Baxter Limited, a firm which specializes in non-destructive testing and material evaluation. In non-destructive testing, material and products are tested for faults without the material concerned being altered or the product destroyed.

In addition to operating test facilities, the company designs and manufactures test equipment for sale to other industrial users and acts as agent and representative for several major firms in the field.



This CAE chipper is a typical product of CAE Machinery Ltd., Canada's largest producer of sawmill machinery and pulpmill wood-chip production equipment. The chipper weighs approximately seven tons, and with a disk 66 inches in diameter holding 12 knives, converts wastewood into chips. CAE chippers, barkers and other forest products machinery have been sold in Canada, Australia, New Zealand, Europe, Asia and Africa. The Company designs and manufactures a wide range of sizes and models of chippers to handle whole logs, pulpwood and wastewood. In the model shown above wood is fed into machine at point marked A and the chips are discharged at B. Similar models, designed to handle logs, will convert them into chips at the rate of 25 cords per hour.

A new facility was added to the Union Screen Plate Co. plant during the year. The process involved, called "Union" easyRelease, treats surfaces so materials will not stick to them. A typical application is in paper mills where webs of wet paper are inclined to "pick" or adhere to heated rollers in the drying operation if roller surface is untreated. It has similar applications in textile operations. Photo shows a resinous powder being sprayed onto chromium plated roller which will be cured in oven seen in background. The process is repeated several times at temperatures up to 750 degrees. After polishing the roller will be ready for mill operation.





DIRECTORS AND  
MANAGEMENT  
OF DIVISIONS AND SUBSIDIARIES

ELECTRONICS DIVISION

Management

- R. W. Cooke, President—Electronics Division
- B. J. Kaganov, Vice-President—Operations
- D. C. Smith, Comptroller
- C. J. Konzuk, General Sales Manager
- J. A. Morley, Export Sales Manager
- N. Byron Cavadias, Manufacturing Manager
- W. J. Riley, Chief Engineer
- R. J. Good, Manager—Research and Development
- William Victor, Manager—Technical Services
- A. H. Mielke, Vice-President—(Western)
- A. W. Maher, Comptroller—(Western)
- J. J. Prairie, Vice-President—Municipal Signal Division

NORTHWEST INDUSTRIES LIMITED

Board of Directors

- E. L. Bunnell
- Hugh Campbell
- R. Fraser Elliott, Q.C.
- F. R. Riddell
- C. D. Reekie
- James F. Tooley

Management

- C. D. Reekie, President
- E. L. Bunnell, Vice-President Sales and Contracts
- C. C. Young, Vice-President Engineering
- S. E. Ridgway, Comptroller and Secretary

B.C. AIR LINES LIMITED

Board of Directors

- W. M. Anderson
- T. N. Beaupré
- Gordon L. Best
- Hugh Campbell
- R. Fraser Elliott, Q.C.
- Nathaniel Paschall
- James F. Tooley
- F. G. Winspear

Management

- James F. Tooley, Chairman
- W. M. Anderson, President
- Gordon L. Best, Executive Vice-President and General Manager
- Douglas Hosgood, Comptroller
- Sydney Reynolds, Sales Manager
- Wallace Russell, Operations Manager
- John W. Hughes, Director of Public Relations

CANADIAN BRONZE COMPANY LIMITED

Board of Directors

- R. Fraser Elliott, Q.C.
- G. G. James
- D. M. Loucks
- A. J. Moore
- W. A. Morgan
- F. R. Riddell
- R. K. Robertson
- James F. Tooley

Management

- A. J. Moore, President
- R. K. Robertson, Vice-President
- F. A. Sleep, Manager Central Division
- F. G. Forbes, Manager Western Division
- P. H. Ross, Comptroller

**ONEIDA ELECTRONICS INC.****Board of Directors**

R. W. Cooke  
 G. G. James  
 B. J. Kaganov  
 F. R. Riddell  
 D. C. Smith  
 James F. Tooley

**Management**

R. W. Cooke, President  
 G. G. James, Vice-President  
 D. C. Smith, Secretary and Treasurer  
 N. G. Gooch, Manager

**CAE ELECTRONICS GmbH (GERMANY)****Board of Directors**

R. W. Cooke  
 G. G. James  
 James F. Tooley

**Management**

M. J. Livis, Manager

**CAE MACHINERY LTD.****Board of Directors**

R. Fraser Elliott, Q.C.  
 G. G. James  
 D. I. Johnston  
 Peter B. Macfarlane  
 H. B. Norris  
 F. R. Riddell  
 James F. Tooley

**Management**

H. B. Norris, Chairman  
 Peter B. Macfarlane, President and General Manager  
 John Harris, Vice-President—Engineering  
 R. O. Wilson, Vice-President, Secretary and Treasurer  
 R. S. Miller, Sales Manager

**UNION SCREEN PLATE CO. LTD.****Board of Directors**

R. Fraser Elliott, Q.C.  
 E. W. Gilbey  
 G. G. James  
 D. I. Johnston  
 A. S. Mitchell  
 F. R. Riddell  
 H. A. Sawyer  
 James F. Tooley

**Management**

E. W. Gilbey, Chairman  
 A. S. Mitchell, President and Chief Executive Officer  
 H. A. Sawyer, Vice-President—Finance  
 Keith Lane, Plant Superintendent  
 A. W. Cheatle, Plant Manager—Brampton  
 K. S. Crawford, Sales Manager  
 Max Vogel, Plant Manager—Montreal

**L. E. BAXTER LIMITED****Board of Directors**

L. E. Baxter  
 F. R. Riddell  
 James F. Tooley

**Management**

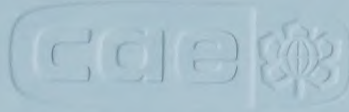
L. E. Baxter, President











CAE INDUSTRIES LTD.

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Shareholders of CAE INDUSTRIES LTD. will be held in the Salon Saguenay on the Convention Floor of the Queen Elizabeth Hotel in Montreal, Que., on Monday, the 20th day of June 1966, at 11:30 A.M., E.D.T., for the following purposes:

1. To consider and if deemed advisable to approve the Financial Statements of the Company for the fiscal year ended March 31st, 1966, and the accompanying Auditors' Report.
2. To elect Directors for the ensuing year.
3. To appoint Auditors for the ensuing year.
4. To transact such other business as may properly be brought before the Meeting.

Shareholders may attend the Meeting and vote either in person or by proxy. If you do not expect to attend the Meeting, please sign and return the enclosed form of proxy. By mailing the proxy immediately you will help us avoid the expenses involved in the usual follow-up procedure.

Dated at Montreal, Que., this 1st day of June, 1966.

By Order of the Board of Directors,

*David I. Johnston*  
David I. Johnston  
Secretary

